

**CARROLL COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**Independent Auditor's Reports
Financial Statements and
Required Supplementary Information
Schedule of Findings**

June 30, 2016

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants
CARROLL, IOWA

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

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CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Marty Danzer	Chairperson	Carroll County
Dr. Eric Jensen	Vice-Chairperson	City of Carroll
Harvey Dales	Secretary/Treasurer	City of Manning
Jeff Anthofer	Member	City of Coon Rapids
Mike Schwabe	Member	City of Breda
Mary Wittry	Director	
Daniel J. Halbur	Office Manager	

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

PARTNERS

**RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
TRUDENE L. WITTMACK
KARLA L. FULTON
TAMMY M. BRUCH
ROBERT L. MUHLBAUER**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Carroll County Solid Waste
Management Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Carroll County Solid Waste Management Commission, (the Commission), as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carroll County Solid Waste Management Commission at June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions information on pages 6 through 11 and pages 29 through 32 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during the audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2016 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.

Olsen, Muhlbauer & Co., L.L.P.

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
November 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carroll County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

Statement of Purpose

The Carroll County Solid Waste Management Commission was formed in 1971 with the express intent of providing cost-effective and environmentally sound solid waste management options for the citizens of Carroll County.

The Goals of the Commission remain the same as they were in 1971:

- to operate a cost-effective solid waste facility;
- to operate an environmentally sound solid waste facility;
- to comply with federal and state solid waste management regulations for operating a solid waste management facility including compliance with the waste management hierarchy
 - ~ source reduction
 - ~ recycling
 - ~ energy recovery
 - ~ volume reduction
 - ~ state-of-the-art land filling
- to educate users of the Commission's facilities about proper waste management.

Financial Highlights

- The Commission's operating revenues increased by 2.88%, or \$86,859, compared with operating revenues from fiscal 2015.
- The Commission's operating expenses, including depreciation increased by 24.91%, or \$512,231 compared with operating expenses from fiscal 2015.
- The Commission's net position increased 5.69%, or \$622,116, compared with net position from June 30, 2015.

Using This Annual Report

The Carroll County Solid Waste Management Commission is a 28E Organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Carroll County Solid Waste Management Commission's financial statements. The annual report consists of a series of financial statements and other information, as shown on the following pages.

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets and deferred outflows of resources less the Commission's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report (Continued)

The Statement of Revenues and Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information further explains and supports the financial statements with the Landfill's proportionate share of the net pension liability and related contributions.

Financial Analysis of the Commission

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2016 totaled approximately \$11,548,000. This compares to approximately \$10,926,000 at the end of fiscal year 2015. A summary of the Commission's net position is presented below:

	Net Position	
	June 30,	
	2016	2015
Current Assets	4,507,430	5,560,598
Restricted Investments	2,371,235	2,199,613
Capital Assets at Cost, Less Accumulated Depreciation	6,408,869	5,359,144
Total Assets	<u>13,287,534</u>	<u>13,119,355</u>
Deferred Outflows of Resources	101,605	78,206
Current Liabilities	185,504	598,168
Noncurrent Liabilities	1,582,541	1,545,063
Total Liabilities	<u>1,768,045</u>	<u>2,143,231</u>
Deferred Inflows of Resources	73,099	128,452
Net Position:		
Net Investment in Capital Assets	6,408,869	5,359,144
Restricted	1,110,996	900,813
Unrestricted	4,028,130	4,665,921
Total Net Position	<u>11,547,995</u>	<u>10,925,878</u>

The largest portion of the Commission's net position (56%) is represented by investments in capital assets. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The amount restricted for closure and post-closure care is \$1,102,630 and the amount restricted for the Recycling Grant is \$8,366. The remaining net position is the unrestricted net position that can be used to meet the Commission's obligations as they come due. Unrestricted net position includes \$1,539,007 designated landfill expansion funds and \$731,326 designated for debt retirement/equipment acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Commission (Continued)

Capital Assets

At June 30, 2016 the Commission had approximately \$13,192,000 invested in capital assets, with accumulated depreciation of approximately \$6,783,000. Depreciation charges totaled \$950,602 for fiscal 2016. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

At June 30, 2016 the Commission had a Grant Payable to the Iowa DNR for \$5,055, whereas the Commission's Grant Payable as of June 30, 2015 was \$15,164. In addition, the Commission has recorded an estimated liability for the current cost of closure and post-closure care in the amount of \$1,268,605 for 2016 and \$1,297,057 for 2015.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received for tipping fees from accepting solid waste, assessments from the residents of the County, recycling processing fees and product sales. Operating expenses are paid to operate the landfill, recycling center and household hazardous waste and education programs. Non-operating revenues and expenses typically include such items as interest income and interest expense (in which none existed in the current year). The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in the net position at the end of the fiscal year.

In fiscal 2016, operating revenues increased by \$86,859 from the previous fiscal year. Tipping fees increased by almost 7% where product sales decreased substantially this year by over 15% due to market price of processed materials. Operating expenses increased by over \$512,000. Salaries and Employee Benefits increased by nearly \$45,000, Depreciation and Amortization Expense increased by over \$367,000, Fuel costs decreased by over \$31,000, Insurance costs increased by over \$12,000, Repairs and maintenance increased by more than \$124,000, utilities decreased by more than \$12,000 and Long Range Planning and Engineering increased by more than \$11,000 compared to the previous fiscal year. The Closure and Post-closure Care Costs estimate also decreased by over \$28,000 from last fiscal year.

A summary of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 is presented on the following page:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Position (Continued)

	Changes in Net Position	
	Year Ended June 30,	
	2016	2015
Operating Revenues:		
Tipping Fees	2,328,932	2,178,444
Community Assessments	253,996	253,996
Product Sales and Processing Fees	423,890	496,447
Other Operating Revenue	98,729	89,801
Total Operating Revenue	3,105,547	3,018,688
Operating Expenses:		
Salaries	496,404	449,461
Employee Benefits	118,232	120,396
Advertising	16,376	17,933
Amortization and Depreciation	950,602	582,806
Closure and Post-closure Care Costs	(28,452)	4,506
Drop Box Service	44,783	39,590
Education, Training and Travel	7,398	8,089
Long Range Planning and Engineering	150,664	139,614
Fuel	57,915	89,097
Freight	13,043	12,773
Insurance	61,611	49,003
Iowa DNR Tonnage Fee	217,184	210,362
Lab Fees	36,721	27,710
Legal and Accounting	13,103	13,492
Miscellaneous	7,916	8,362
Office Supplies	10,960	7,252
Outside Services	58,814	51,487
Repairs and Improvements	122,895	86,878
Site Maintenance	131,467	43,407
Supplies - General	31,295	32,027
Toxic Waste Fees	18,175	18,221
Utilities	31,164	43,573
Total Operating Expense	2,568,270	2,056,039
Operating Income	537,277	962,649
Non-Operating Revenue/(Expenses)		
Net Grant Activity	35,824	3,049
Rental Income	30,980	28,230
Gain on Disposal of Equipment	7,594	48,035
Interest Income	31,138	39,714
Net Non-Operating Revenues	105,536	119,028
Increase in Net Position	642,813	1,081,677
Net Position Beginning of Year, as Restated	10,905,181	9,844,201
Net Position End of Year	11,547,994	10,925,878

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes tipping fees, assessments and recycling reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing includes purchase of certificates of deposits and interest income.

Economic Factors

Carroll County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities and equipment owned and operated by the Commission require constant maintenance, upkeep and upgrades. The Commission will partner with the City of Carroll for the leachate forcemain/gravity sewer installation project in fiscal year 2017.
- Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.
- Mandatory annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Volatile market prices for processed recyclable materials continue to present a budgeting challenge. Fluctuating tonnage delivered for processing due to outside organizations, companies, and individuals marketing the products directly presents staffing and budgeting challenges.
- The full Commission approved a tipping fee of \$43 per ton for solid waste from Carroll County for the 2016-2017 fiscal year with the assessment fee of approximately \$11.85 per capita remaining the same.
- Additional rules and regulations from the Environmental Protection Agency (EPA) and the Iowa Department of Natural Resources (DNR) Air Quality Division will increase the Commission's expenses to be in compliance.
- The Commission will monitor emerging technologies as they present themselves in the Midwest.
- The Commission will continue to look at programs that can remove additional materials from the waste stream in an economical and environmentally safe way.
- The Commission constructed cells 4A/4B/5 in 2015. This is a 9 acre area and will provide air space through 2021. The project was funded from the expansion funds for new cell development. The new cells began receiving waste on September 9, 2015.
- The Commission will continue working through the requirements of being an Environmental Management System (EMS) as required by Iowa law. This program is voluntary and focuses on continuous environmental improvements.
- The Commission is part of the planning area West Central Iowa Solid Waste Management Association. The Association went live with a new website with information for all counties in the Association at www.westcentralsolidwaste.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors (Continued)

It is estimated that airspace available to continue disposal operations will be available through 2033 with the current waste flow. The Commission has adopted a policy of restricting solid waste fees collected from outside counties for future expansion. The amount so designated at June 30, 2016 is \$1,539,007.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact Carroll County Solid Waste Management Commission, 19111 Kittyhawk Avenue, Carroll, Iowa 51401.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Net Position June 30, 2016

Assets

Current Assets

Cash and Cash Equivalents	812,239
Certificate of Deposits	3,349,175
Receivables:	
Trade Accounts (Net of Allowance \$573)	250,539
Sales Tax	27,441
Recycling Grant	13,421
Interest	13,748
Inventory	15,338
Prepaid Assets	<u>25,529</u>

Total Current Assets		4,507,430
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Noncurrent Assets

Capital Assets:

Land	577,767
Buildings	1,699,851
Landfill Improvements	7,569,181
Landfill Equipment	2,473,488
Recycling Equipment	847,383
Office Equipment	23,961
Less: Accumulated Depreciation	<u>(6,782,762)</u>

6,408,869

Restricted Investments

2,371,235

Total Noncurrent Assets		<u>8,780,104</u>
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Total Assets		<u>13,287,534</u>
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Deferred Outflows of Resources

Pension Related Deferred Outflows		<u>101,605</u>
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Liabilities and Net Position

Current Liabilities

Accounts Payable	113,882
Deferred Revenue	15,242
Accrued Compensated Absences	51,325
Current Portion of DNR Recycling Grant Payable	<u>5,055</u>

Total Current Liabilities		185,504
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Noncurrent Liabilities

DNR Recycling Grant Payable less Current Portion	0
Landfill Closure and Post-closure Care Costs	1,268,605
Net Pension Liability	<u>313,936</u>

Total Noncurrent Liabilities		<u>1,582,541</u>
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Total Liabilities		<u>1,768,045</u>
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Deferred Inflows of Resources

Unavailable Revenues:

Pension Related Deferred Inflows		<u>73,099</u>
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Net Position

Net Investment in Capital Assets	6,408,869
Restricted For:	
Closure and Post-closure Care	1,102,630
Tonnage Fees Retained	0
Recycling Grant	8,366
Unrestricted	<u>4,028,130</u>

Total Net Position		<u><u>11,547,995</u></u>
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The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Revenues and Expenses and Changes in Net Position For Year Ended June 30, 2016

Operating Revenues:

Tipping Fees	2,328,932
Community Assessments	253,996
Outside County Processing Fees	29,057
Product Sales	394,833
Miscellaneous Income	6,666
DNR Fees Retained - Groundwater Protection	92,063
	<u>3,105,547</u>

Operating Expenses:

Salaries	496,404	
Employee Benefits	118,232	
Advertising	16,376	
Amortization and Depreciation	950,602	
Closure and Post-closure Care Costs	(28,452)	
Drop Box Service	44,783	
Education and Training	4,070	
Long Range Planning and Engineering	150,664	
Fuel	57,915	
Freight	13,043	
Insurance	61,611	
Iowa DNR Tonnage Fee	217,184	
Lab Fees	36,721	
Legal and Accounting	13,103	
Miscellaneous	7,916	
Office Supplies	10,960	
Outside Services	58,814	
Repairs and Improvements	122,895	
Site Maintenance	131,467	
Supplies - General	31,295	
Telephone	2,435	
Toxic Waste Fees	18,175	
Travel	3,328	
Utilities	28,729	
	<u>2,568,270</u>	
Operating Income		<u>537,277</u>

Non-Operating Revenue/(Expenses)

Grant Income - ICAP	999	
Grant Expenses - ICAP	(999)	
Grant Income - SWAP	10,109	
Grant Expense - Litter Fence	25,715	
Rental Income	30,980	
Gain on Disposal of Equipment	7,594	
Interest Income	31,139	
	<u>105,537</u>	
Net Non-Operating Revenues		<u>105,537</u>
Increase in Net Position		642,814
Net Position Beginning of Year, as Restated		<u>10,905,181</u>
Net Position End of Year		<u><u>11,547,995</u></u>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Statement of Cash Flows For Year Ended June 30, 2016

Cash Flows from Operating Activities:		
Cash Received from Tipping Fees	2,426,037	
Cash Received from Assessments	269,238	
Cash Received from Product Sales and Processing Fees	423,890	
Cash Received from Other Operating Receipts	98,729	
Cash Paid to Suppliers for Goods and Services	(1,039,633)	
Cash Paid to Employees for Services	(622,022)	
	<hr/>	
Net Cash Provided by Operating Activities		1,556,239
Cash Flows from Capital and Related Financing Activities:		
Purchase of Property and Equipment	(2,466,380)	
Proceeds from Grant	25,715	
Proceeds from Sales of Equipment	7,594	
	<hr/>	
Net Cash Used by Capital and Related Financing Activities		(2,433,071)
Cash Flows from Investing Activities:		
Purchase of Certificates of Deposit - Restricted	(171,622)	
Purchase of Certificates of Deposit - Unrestricted	(1,043,913)	
Redemption of Certificates of Deposit - Unrestricted	652,358	
Rental Income	30,980	
Interest Received	27,284	
	<hr/>	
Net Cash Used by Investing Activities		(504,913)
Net Decrease in Cash and Cash Equivalents		(1,381,745)
Cash and Cash Equivalents at Beginning of Year		2,193,984
Cash and Cash Equivalents at End of Year		<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income		537,277
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	950,602	
Closure and Post-closure Costs	(28,452)	
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	97,105	
Increase in Inventory	(1,863)	
Increase in Prepaid Assets	(969)	
Decrease in Accounts Payable	(5,317)	
Increase in Deferred Revenue	15,242	
Increase in Accrued Compensated Absences	21,077	
Increase in Net Pension Liability	70,985	
Increase in Deferred Outflows of Resources	(63,013)	
Decrease in Deferred Inflows of Resources	(36,435)	
	<hr/>	
Total Adjustments		1,018,962
Net Cash Provided by Operating Activities		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 1 – Summary of Significant Accounting Policies

Organization

The Carroll County Solid Waste Management Commission (the Commission) is a joint undertaking of Carroll County and the municipalities of Carroll County organized pursuant to the provisions of Code Section 28E of the Iowa Code. The Commission was established for the purpose of developing, operating, and maintaining solid waste facilities for and on behalf of the municipalities who are members. In 1990, construction was completed on a recycling plant for Carroll County. Since becoming operational in November 1990, the plant has become a regional center for recycling.

The Commission is composed of an elected representative from the governing body of each participating governmental jurisdiction. A five-member executive board is elected, consisting of a member from the City of Carroll, a representative from the Carroll County Board of Supervisors and three at-large members. Each member shall be entitled to one vote for each 1,000 people or fraction thereof as determined by the most recent general federal census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Carroll County Solid Waste Management Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Commission are organized as an enterprise fund. Enterprise funds are utilized to finance and account for acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operations revenues and expenses.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the statement of net position:

Cash, Investments and Cash Equivalents

The Commission considers all unrestricted cash and short-term investments that are highly liquid, with an original maturity of three months or less to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2016 include certificates of deposits of \$5,720,410.

Restricted Assets

Funds set aside for payment of closure and post-closure care costs are classified as restricted as detailed in Note 3.

Accounts Receivable

Accounts receivable are carried at cost less an allowance for doubtful accounts. The provision for uncollectible accounts is based upon the age and collectability of specific accounts. The Commission grants credit to customers, many of who are local haulers or residents. Interest accrues on accounts 30 days after invoice date, however, there is no formal policy on accounts 90 days past due. The balance of accounts over 90 days past due at June 30, 2016 was \$1,145.

Inventory

Inventory that is recorded on the books at June 30, 2016, consists of recycling bags and bins which are carried at cost, principally on a first-in, first-out basis, but not in excess of market. The recycling center also has on hand marketable processed recyclables; however, no system has been developed that would allow for a reasonable estimation of the processing cost. Until these costs can be accumulated with some accuracy, they will continue to be expenses as incurred.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Capital Assets

Capital Assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over fifteen to twenty-five years and equipment is depreciated over a five to fifteen year life.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess \$1,000 and estimated useful lives in excess of one year.

In accordance with Governmental Accounting Standards, the lives of certain facilities and equipment may be adjusted to coincide with the remaining estimated useful life of the landfill. In addition, equipment and facilities included in the estimated total current cost of closure and post-closure care are not reported as capital assets, but will be reported as a reduction of the accrued liability when they are acquired.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2016.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

The cost of advertising is expensed as incurred.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Compensated Absences

Commission employees accumulate earned but unused vacation hours and personal time off (PTO) hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and PTO has been computed based on rates of pay in effect at June 30, 2016, and is treated as a current payable at that date.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Note 2 – Cash and Investments

The Commission's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The Commission had no investments meeting the disclosure requirements of Governmental Standards Board Statement No. 72.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 3 – Designated Funds

The Commission has established accounts, designated for the following purposes:

Closure and Post-closure Care Costs	\$ 2,371,235
Equipment Additions	\$ 731,326
Future Landfill Expansion	\$ 1,539,007

Note 4 – Capital Assets

A summary of capital assets for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	577,767	0	0	577,767
Capital assets being depreciated:				
Buildings	1,689,010	10,841	0	1,699,851
Equipment	3,477,479	608,268	(740,915)	3,344,832
Landfill Improvements	5,981,736	1,587,445	0	7,569,181
Total capital assets being depreciated	11,148,225	2,206,554	(740,915)	12,613,864
Less accumulated depreciation for:				
Buildings	985,244	42,346	0	1,027,590
Equipment	1,649,701	253,128	(534,689)	1,368,140
Landfill Improvements	3,731,903	655,129	0	4,387,032
Total accumulated depreciation	6,366,848	950,603	(534,689)	6,782,762
Total capital assets being depreciated, net	4,781,377	1,255,951	(206,226)	5,831,102
Total capital assets, net	5,359,144	1,255,951	(206,226)	6,408,869

Equipment includes \$20,606 of assets originally acquired under a capital lease with accumulated depreciation totaling \$20,606; this asset is fully depreciated for the year ended June 30, 2016. Lease amortization is included in current year depreciation. The leased equipment consisted of a New Holland Tractor.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 5 – Pension Plan

Plan Description

IPERS membership is mandatory for employees of the Commission, except those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules there under. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For services earned before July 1, 2012, the reduction is .25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is .50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 5 – Pension Plan (Continued)

Pension Benefits (Continued)

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95 percent of pay and the Commission contributed 8.93 percent for a total rate of 14.88 percent.

The Commission's total contributions to IPERS for the year ended June 30, 2016 were \$41,249.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Commission reported a liability of \$313,936 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015 the Commission's collective proportion was .006126 percent which was a decrease of .000005 percent from its proportion measured as of June 30, 2014.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 5 – Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2016, the Commission recognized pension expense of \$12,786. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	2,103	
Changes of assumptions	(2,079)	
Net difference between projected and actual earnings on pension plan investments	46,687	73,099
Changes in proportion and differences between County contributions and proportionate share of contributions	13,645	
City contributions subsequent to the measurement date	<u>41,249</u>	
Total	<u><u>101,605</u></u>	<u><u>73,099</u></u>

\$41,249 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	(22,402)
2018	(22,402)
2019	(22,402)
2020	11,754
2021	<u>993</u>
Total	<u><u>(54,459)</u></u>

There were no non-employer contributing entities at IPERS.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 5 – Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 per cent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 1990)	4.00 percent per annum, based on 3 percent inflation and 1 percent real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	24%	6.29
Non US Equity	16%	6.75
Private Equity	11%	11.32
Real Estate	8%	3.48
Core Plus Fixed Income	28%	2.04
Credit Opportunities	5%	3.63
TIPS	5%	1.91
Other Real Assets	2%	6.24
Cash	1%	-0.71
Total	<u>100%</u>	

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 5 – Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rates and that contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage-point lower (6.5 percent) or 1 – percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Commission's proportionate share of the net pension liability	549,646	313,936	114,980

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on the IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2016 the Commission reported that all payables to the defined benefit pension plan for the legally required employer contributions and for the legally required employee contributions have been remitted to IPERS.

Note 6 – Other Post-employment Benefits

The Commission currently has no retirees participating in any post-employment benefit plans.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 7 – Closure and Post-closure Care Cost

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for Carroll County Solid Waste Management Commission have been estimated at \$1,324,206 for closure and \$1,178,576 for post-closure, for a total of \$2,502,782 as of June 30, 2016, and the portion of the liability that has been recognized is \$1,268,605. These amounts are based on what it would cost to perform all closure and post-closure care during the year ended June 30, 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the expected usable landfill area is seventeen years.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2015, assets of \$2,371,235 are restricted for these purposes, of which \$802,000 is for closure and \$1,569,235 is for post-closure care. They are reported as restricted investments in the Statement of Net Position.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 7 – Closure and Post-closure Care Cost (Continued)

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and post-closure care costs are not fully funded, the Commission is required to demonstrate financial assurances for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under the mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and post-closure care account requirements. Accordingly, the Commission is not required to establish closure and post-closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Note 8 – Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2016, there were no unspent amounts retained by the Commission.

Note 9 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

Note 10 – Agreements with Outside Counties

The Commission has entered into a number of contracts with outside counties to provide landfill and/or recycling services. These agreements expire on various dates. Generally, while landfill usage affects the life of the current space available, recycling services are being offered without significantly increasing expenses.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements June 30, 2016

Note 11 – Grants

In 2013 the Iowa Department of Natural Resources awarded to the West Central Iowa Solid Waste Management Association (WCISWMA) a grant where they were to receive a \$20,000 forgivable loan and a \$40,436 zero-interest loan to fund the Reinvigorate Recycling! Project. Carroll County Solid Waste Management is in charge of management of the project and the corresponding accounting functions required with this project. As of June 30, 2016 WCISWMA has received \$47,015 in funding with the remaining \$13,421 being treated as Grant Receivable. As part of the agreement with the Iowa Department of Natural Resources quarterly loan payments in the amount of \$2,527 commenced on January 15, 2013 and are set to end on October 15, 2016.

Below is a summary of the activity related to these grants:

	July 1, 2015 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2016 <u>Balance</u>
SWAP - Reinvigorate Recycling! (Zero-interest Loan)	15,164	0	(10,109)	5,055

Maturities of the SWAP - Reinvigorate Recycling! (Zero-interest Loan) are as follows:

June 30, 2017	5,055
Thereafter	<u>0</u>
Total	<u><u>5,055</u></u>

In April 2016 the Iowa Department of Natural Resources awarded to the Commission on behalf of the West Central Iowa Solid Waste Management Association a grant where they are to receive \$50,000 to help fund the Leachate Project which is scheduled to be completed by December 31, 2016. The final reporting related to this grant is due by January 15, 2017 to the Iowa Department of Natural Resources.

Note 12 – Accounting Restatement

Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as reported on the following page:

	<u>Net Position</u>
Net Position June 30, 2015 as previously reported	10,925,878
Change in Deferred Outflows	(39,614)
Change in Deferred Inflows	<u>18,918</u>
Net Position July 1, 2015, as restated	<u><u>10,905,182</u></u>

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements
June 30, 2016

Note 13 – Subsequent Events

The Commission has evaluated subsequent events through November 8, 2016, the date on which the financial statements were made available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of the Commission's Proportionate Share of Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Fiscal Year *

Required Supplementary Information

	<u>2015</u>	<u>2016</u>
Commission's Proportion of the Net Pension Liability	0.006126%	0.006354%
Commission's Proportionate Share of the Net Pension Liability	242,951	313,936
Commission's Covered-employee Payroll	435,331	461,910
Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	55.81%	67.96%
IPERS Net Position as a Percentage of the Total Pension Liability	87.61%	87.61%

* - In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Commission's Contributions

**Iowa Public Employees' Retirement System
Last 10 Fiscal Years**

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily Required Contribution	41,249	38,875	35,797	34,862	32,109
Contributions in Relation to the Statutorily Required Contribution	<u>(41,249)</u>	<u>(38,875)</u>	<u>(35,797)</u>	<u>(34,862)</u>	<u>(32,109)</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Commission's Covered-employee Payroll	461,910	435,331	400,856	402,099	397,881
Contributions as a Percentage of Covered-employee Payroll	8.93%	8.93%	8.93%	8.67%	8.07%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutorily Required Contribution	26,636	25,400	24,613	23,309	21,125
Contributions in Relation to the Statutorily Required Contribution	<u>(26,636)</u>	<u>(25,400)</u>	<u>(24,613)</u>	<u>(23,309)</u>	<u>(21,125)</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Commission's Covered-employee Payroll	383,252	381,955	387,606	385,273	367,391
Contributions as a Percentage of Covered-employee Payroll	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditor's report.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Other Information – Pension Liability Year ended June 30, 2016

Changes of Benefits Terms:

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Changes of Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year
- Adjusted male mortality rates for retirees in the regular membership group
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions
- Modified retirement rates to reflect fewer retirements
- Lowered disability rates at most ages
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefits
- Modified salary increase assumptions based on various service duration

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

OLSEN, MUHLBAUER & CO., L.L.P.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the
Carroll County Solid Waste
Management Commission

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of Carroll County Solid Waste Management Commission as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, and have issued our report thereon dated November 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carroll County Solid Waste Management Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carroll County Solid Waste Management Commission internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County Solid Waste Management Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Carroll County Solid Waste Management Commission financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Carroll County Solid Waste Management Commission's internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charges with governance. None of the deficiencies met those criteria.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Carroll County Solid Waste Management Commission Responses to Findings

Carroll County Solid Waste Management Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Commission's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Olsen, Muhlbaumer & Co., LLP

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
November 8, 2016

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings
For Year Ended June 30, 2016

Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that generally one person has control over each of the following areas for the Commission.

- 1) Accounting System – record keeping for revenues and expenses, and related reporting.
- 2) Receipts – collecting, depositing, journalizing and posting.
- 3) Bank Reconciliation – preparation and maintenance of accounting records.
- 4) Payroll – changes to master list, preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult, however, we will have the Director review receipts, posting and payroll on a test basis and bank reconciliations monthly.

Conclusion – Response accepted.

- (B) Financial Reporting and Financial Statement Preparation – Internal controls over financial reporting include the preparation and review of financial statements, including footnote disclosure, for external reporting. As auditors, we are engaged to assist in preparation of the Commission's financial statements and related disclosures; however, we cannot be considered part of the Commission's internal control system. As is common for smaller governmental entities, management lacks the expertise to effectively detect potential errors in the financial statement close process and resulting financial statements.

Recommendation – The Commission should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. The review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the Commissions operations.

Response – We will implement all reasonable review procedures; however, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response accepted.

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Schedule of Findings For Year Ended June 30, 2016

Other Findings Related to Statutory Reporting:

- 1) Questionable Expenses – We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- 3) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- 4) Deposits and Investments – The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- 5) Solid Waste Fees Tonnage Retainage – No instances of non-compliance with the solid waste fees in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- 6) Financial Assurance – The Commission has demonstrated financial assurance for closure and post-closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	New Site		Old Site
	Closure	Postclosure	Postclosure
Total estimated costs for closure and post-closure care	1,324,206	628,631	549,945
Less: Balance of funds held in the local dedicated fund at June 30, 2015	<u>(766,706)</u>	<u>(745,337)</u>	<u>(610,000)</u>
	557,500	0	0
Divided by the number of years remaining in the pay-in-period	÷ <u>17</u>	÷ <u>17</u>	÷ <u>n/a</u>
Required Payments into the local dedicated fund for the year ended June 30, 2016	32,794	0	0
Balance of funds held in the local dedicated fund as June 30, 2015	<u>766,706</u>	<u>745,337</u>	<u>610,000</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2016	<u>799,500</u>	<u>745,337</u>	<u>610,000</u>
Amount Commission has restricted for closure and post-closure care at June 30, 2016	<u>802,000</u>	<u>959,235</u>	<u>610,000</u>

CARROLL COUNTY SOLID WASTE MANAGEMENT COMMISSION

Audit Staff

This audit was performed by:

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